

**BEFORE THE OIL & GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO**

IN THE MATTER OF AN APPLICATION BY SRC ENERGY INC. FOR AN ORDER ESTABLISHING AN APPROXIMATE 1040.2-ACRE DRILLING AND SPACING UNIT FOR CERTAIN PORTIONS OF SECTIONS 13, 14, 15, AND 16, TOWNSHIP 4 NORTH, RANGE 67 WEST, 6TH P.M., FOR HORIZONTAL WELL DEVELOPMENT OF THE CODELL AND NIOBRARA FORMATIONS, WATTENBERG FIELD, WELD COUNTY, COLORADO

CAUSE NO. 407

DOCKET NO. *To be assigned*

TYPE: SPACING

APPLICATION

SRC Energy Inc., Operator No. 10311 ("SRC" or "Applicant"), by and through its attorneys, Beatty & Wozniak, P.C., respectfully submits this Application to the Oil and Gas Conservation Commission of the State of Colorado ("Commission") for an order establishing an approximate 1040.2-acre drilling and spacing unit for certain portions of 13, 14, 15, and 16, Township 4 North, Range 67 West, 6th P.M., and authorizing the drilling of up to fifteen horizontal wells within the proposed unit, for the production of oil, gas and associated hydrocarbons from the Codell and Niobrara Formations. In support of its Application, Applicant states and alleges as follows:

1. Applicant is a corporation duly authorized to conduct business in the State of Colorado, and has registered as an operator with the Commission.

2. Applicant owns substantial leasehold interests in the below-listed lands:

Township 4 North, Range 67 West, 6th P.M.

Section 13: W $\frac{1}{2}$ SW $\frac{1}{4}$

Section 14: S $\frac{1}{2}$

Section 15: S $\frac{1}{2}$

Section 16: S $\frac{1}{2}$

1040.2 acres, more or less, Weld County, Colorado.

These lands are hereinafter referred to as the "Application Lands" and depicted in Exhibit A attached hereto.

3. On April 27, 1998, the Commission adopted Rule 318A. which, among other things, allowed certain drilling locations to be utilized to drill or twin a well, deepen a well or recomplete a well and to commingle any or all of the Cretaceous Age Formations from the base of the Dakota Formation to the surface. On December 5, 2005, Rule 318A. was amended to allow interior infill and boundary wells to be drilled and wellbore spacing units to be established. On August 8, 2011, Rule 318A. was again

amended to, among other things, address drilling of horizontal wells. The Application Lands are subject to Rule 318A.

4. The online records maintained by the COGCC indicate that numerous vertical and directional wells are currently producing from the Codell and/or Niobrara Formations in the Application Lands, as depicted on Exhibit B attached hereto. Applicant hereby confirms that each of these wells shall remain subject to applicable spacing orders of the Commission, and shall not be affected by Applicant's requested relief under this Application. Proceeds from the sale of oil or gas from these wells shall continue to be distributed based on the applicable spacing orders for these wells. As of the date of this Application, no horizontal wells have been drilled within the proposed unit.

5. Applicant requests the Commission establish the Application Lands as an approximate 1040.2-acre drilling and spacing unit for the Codell and Niobrara Formations pursuant to Rule 503.b.(1) and §34-60-116(2), C.R.S. For the Application Lands, the proposed drilling unit is not smaller than the maximum area that can be economically and efficiently drained by the horizontal wells proposed to be drilled under this Application and completed in the Codell and Niobrara Formations.

6. Applicant requests it be authorized to drill and complete up to fifteen horizontal wells in the approximate 1040.2-acre drilling and spacing unit proposed for the Application Lands, for the production of oil, gas and associated hydrocarbons from the Codell and Niobrara Formations, as necessary to economically and efficiently recover resources, while minimizing surface impacts, creating efficiencies for drilling and production, increasing the ultimate recovery of the reserves, preventing waste, and protecting correlative rights.

7. Applicant further requests that, for any permitted wells to be drilled under this Application, the treated intervals of the wellbore should be not less than 460 feet from the boundaries of the proposed unit, with an inter-well setback of not less than 150 feet from the treated interval of a well producing from the Codell and Niobrara Formations, without exception being granted by the Director.

9. The granting of this Application is in accord with the Oil and Gas Conservation Act, found at §§34-60-101, *et seq.*, C.R.S., and the Commission rules.

10. Applicant states that any horizontal wells to be drilled under this Application will be drilled from two multi-well pads on the surface of the drilling unit, or on adjacent lands with consent of the landowner, unless an exception is granted by the Director.

11. Applicant requests that relief granted under this Application should be effective on oral order by the Commission, and Applicant hereby agrees to be bound by said oral order.

12. The undersigned certifies that copies of this Application will be served on each interested party as required by Rule 507 within fifteen days of the filing hereof, as required by Rule 503.e.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing, that notice be given as required by law and that upon such hearing, this Commission enter its order:

A. Establishing an approximate 1040.2-acre drilling and spacing unit for Application Lands, and authorizing the drilling of up to fifteen horizontal wells within the unit, for the production of oil, gas and associated hydrocarbons from the Codell and Niobrara Formations, with the treated intervals of the wellbore of any permitted wells to be located not less than 460 feet from the boundaries of the proposed unit, with an inter-well setback of not less than 150 feet from the treated interval of a well producing from the Codell and Niobrara Formations, without exception being granted by the Director.

B. For such other findings and orders as the Commission may deem proper or advisable in the premises.

DATED this 11th day of October, 2017.

Respectfully submitted,

SRC ENERGY INC.

By: Jobediah J. Rittenhouse
Jillian Fulcher
James Parrot
Jobediah J. Rittenhouse
Beatty & Wozniak, P.C.
Attorneys for Applicant
216 16th Street, Suite 1100
Denver, Colorado 80202
(303) 407-4499
jfulcher@bwenergylaw.com
jparrot@bwenergylaw.com
jrittenhouse@bwenergylaw.com

Address of Applicant
SRC Energy Inc.
ATTN: Matthew Miller
1625 Broadway, Suite 300
Denver, Colorado 80202

VERIFICATION

STATE OF COLORADO)
) ss.
CITY & COUNTY OF DENVER)

Matthew Miller, Vice-President of Land for SRC Energy Inc., upon oath deposes and says that he has read the foregoing Application and that the statements contained therein are true to the best of his knowledge, information and belief.

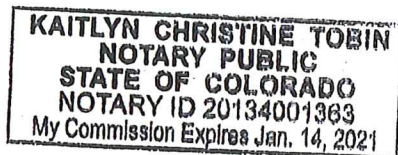
SRC ENERGY INC.


Matthew Miller

Subscribed and sworn to before me this 11th day of October, 2017,
by Matthew Miller, Vice-President of Land for SRC Energy Inc.

Witness my hand and official seal.

My commission expires: 1/14/21




Notary Public

Exhibit A

Reference Map for Spacing Application

Township 4 North, Range 67 West, 6th P.M.

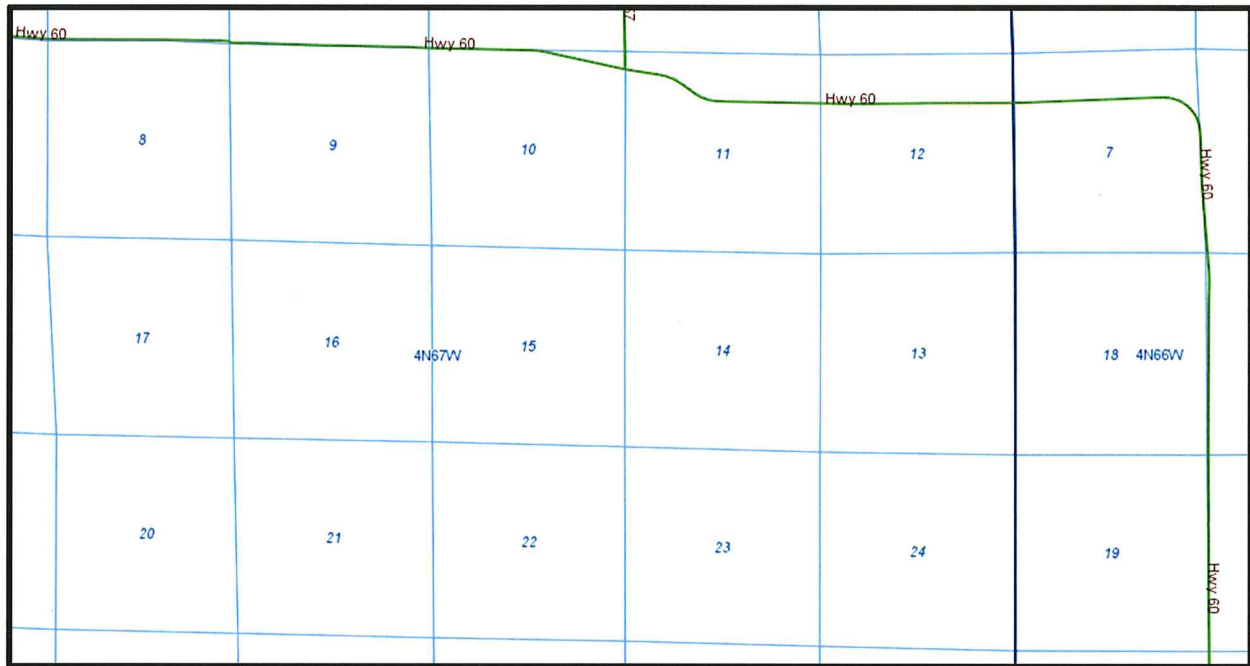
Section 13: $W\frac{1}{2}SW\frac{1}{4}$ Section 14: $S\frac{1}{2}$ Section 15: $S\frac{1}{2}$ Section 16: $S\frac{1}{2}$ 

EXHIBIT B

Producing Vertical and Directional Wells

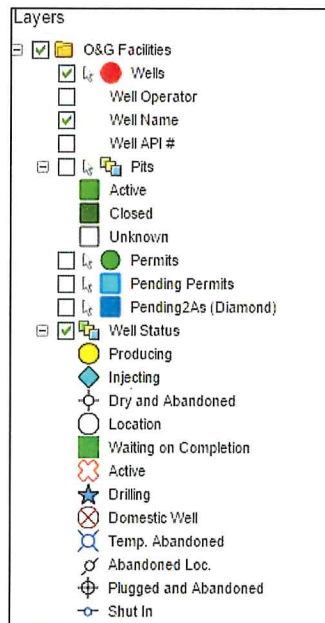
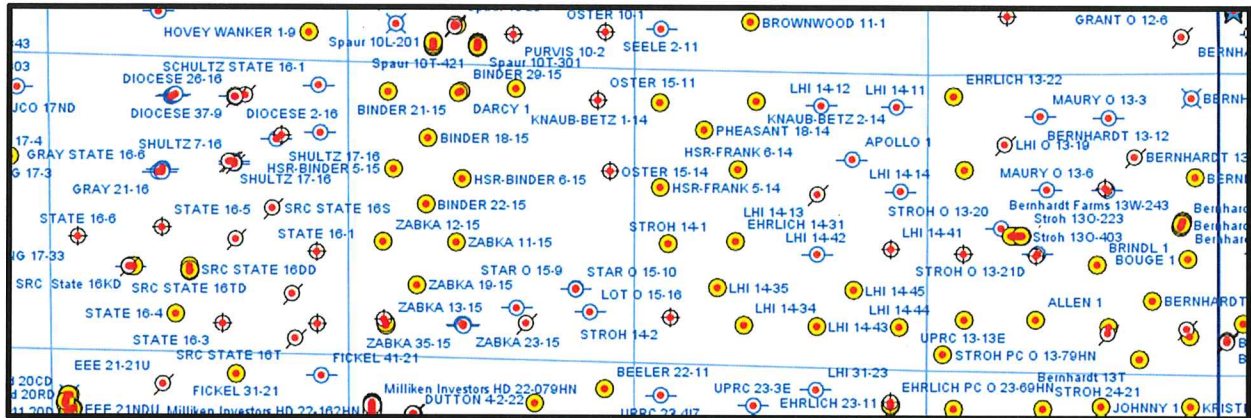
Township 4 North, Range 67 West, 6th P.M.

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TYPE: SPACING

TERESA L. PETERSON
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 19894002026
MY COMMISSION EXPIRES OCTOBER 4, 2021

EXHIBIT A

INTERESTED PARTIES

The names and addresses of the interested parties (persons who own any interest in the mineral estate of the tracts to be pooled, except owners of overriding royalty interest) according to the information and belief of the Applicant are set forth in this Exhibit A.

Brandon Marette, Energy Liaison
Colorado Parks and Wildlife
Northeast Region Office
6060 Broadway
Denver, CO 80216

Troy Swain
Weld County
Department of Planning Services
1555 North 17th Avenue
Greeley, CO 80631

Kerr-McGee Oil & Gas Onshore LP
1099 18th St., Suite 1800
Denver, CO 80202

PDC Energy, Inc.
1775 Sherman St., Suite 3000
Denver, CO 80203

Kent Kuster
Oil & Gas Consultant Coordinator
Colorado Department of
Public Health & Environment
4300 Cherry Creek Drive South
Denver, CO 80246-1530

SRC Energy, Inc
1675 Broadway, Suite 2600
Denver, CO 80202

Kerr-McGee Rocky Mountain Corporation
1099 18th St., Suite 1800
Denver, CO 80202